

**Washington State  
Department of Financial Institutions**

*Helen Howell, Director*

**(360) 902-8700** <http://www.dfi.wa.gov>

**News for Immediate Release**

Contact Chuck Cross: 360-902-8795

---

**Washington files formal settlement with Household Finance**

**Consent judgments being signed nationwide will bring \$484 million in restitution for consumers in all states, including \$21 million for Washington**

**(Olympia: 12/16/02)** Helen Howell, Washington's director of financial institutions, has announced that the Department of Financial Institutions (DFI), the Office of the Attorney General, and the Office of the Insurance Commissioner formally entered into a settlement today with Household International Corporation (Household Finance, Beneficial Finance, and Household Realty) through a consent judgment filed in King County Superior Court.

"Under the terms of the settlement, Household will pay Washington consumers over \$21 million in restitution for alleged unfair and deceptive lending practices in the subprime lending market," Howell said. "The agreement also prevents Household from engaging in predatory lending practices in the future," she added. Details on restitution procedures and eligibility will be announced in the next few months, she said.

Howell thanked Attorney General Christine Gregoire and her staff, as well as Insurance Commissioner Mike Kreidler and his staff, for their cooperation and partnership in this case. "All three agencies worked together smoothly to do their best for Washington consumers," Howell said, "and I don't think any of us could have done it alone."

The tentative settlement was announced October 11, but the settlement and restitution amount were contingent on individual settlements being signed with states representing at least 80 percent of the dollar volume of Household's real estate-secured loans. Howell said all 50 states and the District of Columbia were filing consent judgments by today's deadline, which means Household will pay the maximum restitution amount of \$484 million - said to be the largest direct restitution amount ever in a state or federal consumer case.

The states had alleged that Household violated state laws by misrepresenting loan terms and failing to disclose material information to borrowers. The investigation focused on real estate-secured loans. Consumers complained that Household charged far higher interest rates than promised, charged costly prepayment penalties, and deceived consumers about insurance policies. Some consumers were trapped in costly loans by some of the practices, the states alleged.

State officials said Household cooperated in the case when the states presented their concerns. In addition to restitution, Household agreed to:

- Limit prepayment penalties on current and future home loans to only the first two years of a loan.
- Ensure that new home loans actually provide a benefit to consumers before making them.
- Limit up-front points and origination fees to 5 percent.
- Reform and improve disclosures to consumers.
- Eliminate "piggyback" second mortgages.

Under terms of the settlement, each state will design its own consumer-restitution plan, since some lending practices varied significantly from state to state. Howell said a national settlement administrator will be selected shortly, and information on restitution terms and procedures will be sent to consumers in the next few months. For updates, consumers should visit the DFI website at [www.dfi.wa.gov](http://www.dfi.wa.gov) or call 1-800-372-8303, toll free.

Howell said consumers who have moved and who had real estate-secured loans with Household during the period from Jan. 1, 1999, through Sept. 30, 2002, may wish to contact her office to provide a current address. Each state's share of the restitution fund will be proportional to the state's percentage share of Household's total U.S. real estate loan-secured dollar volume.

State officials said the settlement would not be affected by the acquisition of Household Finance by Hong Kong and Shanghai Banking Corporation, the giant banking and financial services company headquartered in London. The states' settlement with Household is binding on any successor company that might acquire Household's retail branch mortgage lending operations.

Howell says she believes that the Household settlement will provide momentum for improving the industry, and vows that her agency will continue to focus on questionable practices in the lending industry.